PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

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Ratesetting

TO PARTIES OF RECORD IN APPLICATION 17-11-014:

This is the proposed decision of Administrative Law Judge Stevens. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's October 24, 2019 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4)(B).

/s/ ANNE E. SIMON
Anne E. Simon
Chief Administrative Law Judge

AES:mph

Attachment

Decision **PROPOSED DECISION OF ALJ STEVENS (Mailed 9/20/2019)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Liberty Utilities (CalPecoElectric) LLC (U933E) for Approval to Construct a Battery Energy Storage System in Alpine County, California.	Application 17-11-014

DECISION ALLOWING CONSTRUCTION OF A 2.6 MW BATTERY ENERGY STORAGE SYSTEM IN ALPINE COUNTY AND DENYING A REASONABLENESS DETERMINATION AND COST RECOVERY

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DECISION ALLOWING CONSTRUCTION OF A 2.6 MW BATTERY ENERGY STORAGE SYSTEM IN ALPINE COUNTY AND DENYING A REASONABLENESS DETERMINATION AND COST RECOVERY

Summary

Liberty CalPeco's Application requested Commission approval to construct a battery energy storage system in Alpine County, California with an associated reasonableness determination and authorized cost recovery in rates.

In today's Decision, we do not prohibit Liberty CalPeco from constructing its proposed battery energy storage system in Alpine County, California. However, without an executed contract, cost effectiveness analysis, and need analysis, the Commission does not have sufficient information to make a determination on the reasonableness of the proposed project. This Decision does not authorize Liberty CalPeco to recover the costs associated with this project in rates. Liberty CalPeco is not prevented from seeking a reasonableness review in a future Application, and this decision provides a pathway that Liberty CalPeco may use to seek a reasonableness determination in its General Rate Case Application before the Commission.

1. Factual Background

Liberty CalPeco requests Commission approval to construct a 2.6 megawatt (MW)/15 megawatt-hour (MWh) battery energy storage system (Project or Alpine County Battery Energy Storage System) in the Alpine County, California town of Markleeville. Liberty CalPeco asserts that a battery energy storage system will improve the quality of electric service for 880 customers in Alpine County. Liberty CalPeco indicated the battery system will be capable of providing up to 2.6 MW of electricity for up to six hours.

Liberty CalPeco has not executed a contract for the procurement of the project, and Liberty CalPeco is seeking approval from the Commission prior to executing a contract.

Liberty CalPeco proposes to own the project and asserts the total cost to install the Alpine County Battery Energy Storage System is forecast to be $8.4 million. This forecast of costs includes the battery vendor costs, the cost of work to be performed by Liberty CalPeco to connect the battery to its system, and land lease costs for the battery site.

Liberty CalPeco proposes to use battery technology procured from Tesla, Incorporated (Tesla) for this project. Liberty CalPeco asserts that it assessed the procurement of this project concurrently with potential alternatives of building out a new distribution or transmission conductor. As justification of avoiding the buildout of a new conductor, Liberty CalPeco considers this project a distribution deferral project utilizing battery energy storage technology as a distributed energy resource. One of the major factors Liberty CalPeco pointed to in proposing a battery energy storage system rather than a new conductor is that the proposed project would result in the battery energy storage system solution being constructed and placed in commercial operation within approximately 12 months after receiving all required authorizations and permits. In contrast, Liberty CalPeco asserts the alternative solutions would face serious and possibly insurmountable challenges in the forms of permitting and completion time.

Liberty CalPeco proposes to include the forecast costs for the Project in its general rate case (GRC) and will update the forecast in the GRC based on what the Commission authorizes for this Project in this proceeding.

1.1. Procedural Background

Liberty CalPeco filed this Application, concurrently with supporting testimony, on November 21, 2017.

The Public Advocates' Office of the Public Utilities Commission[1] (Cal Advocates) filed and served a protest on January 2, 2018.

A prehearing conference was held on April 4, 2018 to discuss the issues of law and fact and determine the need for hearing and schedule for resolving the matter. Cal Advocated additionally served prepared direct testimony on June 29, 2018. Liberty CalPeco served rebuttal testimony on July 13, 2018.

Cal Advocates filed and served an opening brief on August 24, 2018. Liberty CalPeco filed and served a reply brief on September 5, 2018.

On November 11, 2018, the assigned administrative law judge (ALJ) issued a ruling directing the applicant to serve supplemental testimony responding to specific issues identified in the ruling. Liberty CalPeco served supplemental testimony on December 10, 2018. Cal Advocates served rebuttal supplemental testimony on January 10, 2019.

2. Issues Before the Commission

In Liberty CalPeco's Application, it requested Commission approval to construct a battery energy storage system in Alpine County, California. Liberty CalPeco identified in its Application that the issue to be considered in this proceeding is the reasonableness of the proposed project, including the costs associated with implementing its proposal.

[1] The Office of Ratepayer Advocates was renamed the Public Advocates' Office of the Public Utilities Commission pursuant to Senate Bill (SB) 854, which the Governor approved on June 27, 2018.

In the scoping ruling for the proceeding, the Commission identified the following issues.

1. Is the proposed procurement of Liberty's CalPeco Alpine Battery Energy Storage System reasonable?
    a. Is the technology appropriate?
    b. Is there need for the resource?
    c. Are the price, terms, and conditions of the contract and project reasonable?
    d. Does the project provide the best value to ratepayers?
        i. Is it cost-effective?
        ii. Does it provide environmental, public health, and/or safety benefits?
    e. To what extent will the system assist reliability and provide back-up power for customers?
    f. Was the procurement process fair and competitive?
    g. Was the bid evaluation methodology reasonable?
    h. Did Liberty CalPeco consider reasonable alternatives when conducting its analysis and evaluation?
2. How does this project and its estimated rate impact fit in with other upcoming projects that will be included in Liberty CalPeco's 2018 General Rate Case?

3. Discussion and Analysis

3.1. Is the Proposed Procurement of Liberty's CalPeco Proposed Alpine County Battery Energy Storage System Reasonable?

In this decision, we consider whether the proposed project is utilizing an appropriate technology; the price, terms, and conditions of the contract and project are reasonable; and the proposed project provides the best value to ratepayers.

While the technology itself is likely the appropriate technology to deploy for a battery energy storage project, Liberty CalPeco did not substantiate that an energy storage project is the appropriate resource to deploy for the specific need on its system. Additionally, without an executed contract or cost cap, the Commission will not make the determination that the price, terms, and conditions of the contract and project are reasonable. Further, lacking a cost-effectiveness analysis the Commission does not find that the project currently represents the best value to customers.

3.1.1. Is the Technology Appropriate?

In response to a data request to Cal Advocates, Liberty CalPeco indicated the battery technology it proposes to deploy is lithium ion.[2]

Additionally, Liberty CalPeco indicated that

> The Tesla projects entails the installation of a 2.6 MW/15 MWh battery comprised of 72 Tesla Powerpack systems (each of which has 210 kWh of energy storage capacity) and four Tesla bi-directional inverters.[3]

Liberty CalPeco further indicates that

> The system is capable of meeting rated performance between negative 30°C and 50°C. Tesla analyzed historical hourly temperature data near Markleeville, CA and found that the record low temperature in the area was -31.7C on December 23, 1990; thus, Tesla does not believe there is significant risk of operational issues due to ambient temperature considerations.[4]

Liberty CalPeco also notes that Tesla has had success installing numerous utility scale battery energy storage projects throughout the world.

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[2] Exhibit CA-01 at Appendix B, Data Response Question 3.

[3] Exhibit LCP-03 at 5.

[4] Exhibit LCP-03 at 5.

Cal Advocates raised an issue pertaining to the lack of evidence that the battery system will fulfill the specific load curve requirements and unique characteristics of Liberty CalPeco's system where this specific battery will be installed.

Lithium ion battery energy storage systems have been installed with success throughout California and the United States. The technology that Liberty CalPeco proposes to deploy is likely an appropriate technology for a battery energy storage resource.

3.1.2. Is There a Need for the Resource?

Due to geography and the fact that Alpine County has only one distribution line supplying electricity, Liberty CalPeco asserts its Alpine County customers experience longer and more frequent power outages than the average Liberty CalPeco customer.[5] With many Alpine County customers at an elevation of 5,500 feet or more and dependent upon electricity for heating, Liberty CalPeco asserts that sustained outages pose a substantial life safety issue, particularly during cold winter months. Liberty CalPeco supplies electricity to Alpine County via the 1296 Circuit, a radial distribution line that originates at the Muller substation in NV Energy's Sierra Pacific Electric Company (d/b/a NV Energy) service territory.

Liberty CalPeco indicates that when an outage occurs on the 1296 Circuit, there is no alternate feed to Alpine County. Liberty CalPeco notes that customers in Alpine County remain out of power when damage occurs to the conductor feeding these customers until repairs are completed. Liberty CalPeco asserts that its customers on the 1296 Circuit have had to deal with the fragility of the

[5] Exhibit LCP-01 at 3.

existing electrical grid over recent winters, with multiple power outages occurring over the course of the season. Liberty CalPeco notes that this area contains the rough topography of the Sierra Nevada mountain range and winter snow can significantly complicate Liberty CalPeco's repair efforts, which often leads to and contributes to extended outage times.[6]

Between 2013 and 2016, Liberty CalPeco indicates that outages in Alpine County averaged 4 hours and 44 minutes.[7] Liberty CalPeco analyzed 2013-2016 outage data on the 1296 Circuit to determine the impact an Alpine County Battery Energy Storage System would have on electric reliability in Alpine County. Liberty CalPeco claims that Alpine County's outages would have dropped from 32 outages to 6 outages, and customer minutes of interruption would have been reduced from 4.1 million customer minutes of interruption to 1.6 million customer minutes of interruption if an energy storage system had been installed and available to back up the system during this period.[8] According to Liberty CalPeco's analysis, 1.2 million of the 1.6 million customer minutes of interruption that would not have been avoided by the proposed energy storage system occurred during one atypical 29-hour outage that occurred in December 2014 during a storm event.[9]

Cal Advocates indicated that there is not sufficient evidence in the record to substantiate the need. Cal Advocates notes that "Liberty CalPeco did not

[6] Exhibit LCP-01 at 4.

[7] Exhibit LCP-01 at 4.

[8] Exhibit LCP-01 at 4.

[9] Exhibit LCP-01 at 4.

conduct a needs analysis."[10] In a data request, Cal Advocates asked Liberty CalPeco to "[p]lease provide a needs analysis at the local level as well as at the system level."[11] Liberty CalPeco responded that "[n]o specific needs analysis was performed. Liberty CalPeco determined that the project was needed to reduce outages and improve safety and system reliability for Alpine County customers."[12]

What is apparent from the evidentiary record is that there is a need for some type resource to provide support to Liberty CalPeco's distribution system. It is not clear from the record whether the need is specifically for an additional conductor, generation resource, storage resource, or some other grid asset. Given that there are significant customer minutes of interruption occurring on this specific circuit within the Liberty CalPeco system, additional resources are needed to ensure safe and reliable service. However, without a need analysis, which Liberty CalPeco concedes that it did not perform, it is not apparent what need exists and in turn what resource will best meet that need.

3.1.3. Are the Price, Terms, and Conditions of the Contract and Project Reasonable?

Liberty CalPeco has not executed a contract with Tesla. for the construction and provision of the proposed battery energy storage project. Liberty CalPeco introduced an exhibit that includes a slide deck that outlines

[10] Exhibit CA-02 at 3.

[11] Exhibit CA-01 at Appendix B, Data Response Question 1(c).

[12] Exhibit CA-01 at Appendix B, Data Response Question 1(c).

Tesla's bid for the project that includes some of the parameters of what may be included in an executed contract.[13]

Additional benefits Liberty CalPeco asserts include the project providing overall system storage options and other ancillary service benefits, including system peak shaving, energy shifting, demand response, voltage regulation, and tariff optimization.[14]

Liberty CalPeco provides additional information about its proposed costs for the project.[15] The battery vendor cost of $6.825 million is inclusive of all capital costs, including the battery itself, full turn-key installation, and a 15-year operation and maintenance agreement for the entire battery system. This forecast also includes a $325,000 site construction contingency, because Liberty CalPeco is still evaluating several sites.

Cal Advocates notes that the proposed project would serve approximately 880 customers of the approximately 50,000 within Liberty CalPeco's service territory.[16] Liberty CalPeco forecasts a total project cost for its proposed project of $8.4 million,[17] and estimates the project would add approximately $2 million to its revenue requirement, resulting in an average rate increase of approximately 2.3 percent.[18]

[13] Exhibit LCP-03C at Attachment 1.

[14] Exhibit LCP-01 at 6.

[15] Exhibit LCP-01 at 10.

[16] Exhibit CA-01 at Appendix B, Data Response Question 7 and 8.

[17] Exhibit LCP-01 at 9-10.

[18] Exhibit CA-01 at Appendix B, Data Response Question 10.

Cal Advocates asserts that without an executed contract available to review, it is not possible for the Commission to make the determination that the price, terms, and conditions of the non-existent contract are reasonable.

We agree. Without an executed contract or cost cap, the Commission will not find that the price, terms, and conditions of the contract and project are reasonable.

3.1.4. Is it Cost-Effective?

Liberty CalPeco notes that it "did not perform a net present value, portfolio adjusted value, or net market value of the bids it received. Factors Liberty CalPeco considered when selecting Tesla as the winning bidder included industry expertise, similar project execution, operations and maintenance capabilities, financial strength, economics of proposed solution, engineering/procurement/construction capabilities, and technical solution."[19] Liberty CalPeco notes that although it did not conduct these analyses, the approach it took to analyzing the cost-effectiveness of the bids and proposed projects is reasonable for a small utility.

Liberty CalPeco provided some analysis regarding the cost of the project. "Tesla's proposal provided a battery at a cost of $276.60 per kWh. Liberty CalPeco compared this cost per kWh to the average cost per kWh developed in Lazard's Levelized Cost of Storage Analysis, Version 3.0 (Lazard Analysis). The Lazard Analysis indicates that, for a project "In-Front-of-the Meter/Distribution," the projected 2018 capital cost for a 60 MWh system is approximately $283.00 per kWh. Although the Lazard Analysis was based on a

[19] Exhibit LCP-03 at 8.

larger system, Tesla's capital cost per kWh is lower than the Lazard Analysis capital cost."[20]

Liberty also notes that it conducted a competitive request for proposals that resulted in seven bids.[21]

Cal Advocates asserts that the Commission should deny Liberty CalPeco's request to recover the cost of the project from ratepayers because it has failed to substantiate the claim that the project is cost-effective.

Cal Advocates notes that Liberty CalPeco concedes that the Battery Storage Evaluation Matrix it provided is not a cost-effectiveness evaluation but rather a comparison of the shortlisted bids.[22] Cal Advocates also indicates that Liberty CalPeco identified that other solutions could satisfy the need it had determined as existing on its grid, like back-up generators or an additional conductor. But Cal Advocates indicates without a cost analysis for alternatives, it is not possible to establish that the solution Liberty CalPeco is proposing is cost-effective.

Cal Advocates notes that Liberty CalPeco should consider the quantitative and qualitative costs and benefits to determine whether the project is cost-effective.

Cal Advocates also points out that the Lazard Analysis that Liberty CalPeco included indicates that it specifically "Does not… [p]rovide parameter values which, by themselves, are applicable to detailed project evaluation or resource planning."[23]

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[20] Exhibit LCP-03 at 2.

[21] Exhibit LCP-03 at 2.

[22] Exhibit LCP-03 at 2.

[23] Exhibit LCP-03 at Attachment 2, page 3.

Cal Advocates makes a convincing showing that Liberty CalPeco has not substantially demonstrated that the proposed project is cost-effective. For this reason, the Commission cannot find that the proposed project is cost-effective.

3.1.5. To What Extent Will the System Assist reliability and Provide Back-up Power for Customers?

Liberty CalPeco describes a reliability need for the battery energy storage resource, given there is just one distribution line that supplies power to this subset of approximately 880 customers. With one conductor serving this customer population, Liberty CalPeco asserts this battery will be used for reliability and other optimization services.[24]

Liberty CalPeco indicated it eliminated consideration of a second line as a viable alternative because of the permitting and right-of-way hurdles that would take several years to overcome, if these obstacles could be overcome at all.[25]

Liberty CalPeco indicated an additional benefit of the system is that the Project will also allow Liberty CalPeco to develop familiarity with, and proficiency in, deploying battery energy storage system and microgrid technology throughout its service area.[26]

It is likely that an energy storage resource would assist reliability and provide back-up power for customers. However, it is not apparent that the procurement of this specific battery system would provide those services.

[24] Exhibit LCP-01 at 1.

[25] Exhibit LCP-02 at 5.

[26] Exhibit LCP-01 at 6.

3.1.6. Was the Procurement Process Fair, and Was the Bid Evaluation Methodology Reasonable?

Liberty CalPeco described its request for proposal (RFP) process in its testimony.

> Liberty CalPeco also engaged an international engineering, architecture, and consulting firm, Burns & McDonnell ("BMCD"), to assist in evaluating and developing the [battery energy storage system] (BESS) Project. Liberty CalPeco's engineers and BMCD worked closely to jointly develop the specifications for the Alpine County BESS. Once the specifications and bid requirements for the BESS were developed, Liberty CalPeco requested price proposals from seven different battery solution vendors and gave the vendors a period of four weeks to respond. After a thorough evaluation of each of the proposals that were submitted, Liberty CalPeco determined that Tesla's bid provided the best overall value for the Project. Among the factors Liberty CalPeco considered were industry expertise, similar project execution, operations and maintenance capabilities, financial strength, economics of the proposed solution, engineering/procurement/construction capabilities, and technical solution.[27]

Cal Advocates indicated that it is unclear what evaluation methodology Liberty CalPeco utilized in selecting the proposed Project. In response to Cal Advocates' request to Liberty CalPeco for it to explain its evaluation methodology, Liberty CalPeco stated it "developed a Battery Storage Evaluation Matrix."[28]

Cal Advocates further indicates that the matrix only includes data for the various battery energy storage system proposals Liberty CalPeco considered and compare $/MW, $/MWh, and $/Contract Year. Liberty CalPeco stated in a data

[27] Exhibit LCP-01 at 8.

[28] Exhibit CA-01 at Appendix B, Data Response Question 11(a).

response to Cal Advocates that it also conducted interviews with vendors and visited Tesla's Gigafactory in Nevada and its production facility in Fremont. Cal Advocates raised concerns that these vague statements do not provide a clear understanding of what led Liberty CalPeco to conclude the proposed project would provide CalPeco ratepayers with the best value. Cal Advocates states that without an evaluation methodology and a cost-effectiveness evaluation, it cannot determine whether the proposed battery energy storage system is the best option.

Furthermore, Cal Advocates states that the battery evaluation matrix that was used to compare costs did not include the costs for the construction of a distribution line as the traditional alternative to the procurement of a battery energy storage system. Therefore, the limited evaluation conducted by Liberty CalPeco does not compare the costs of viable alternatives to a battery energy storage system and does not explain why Liberty CalPeco selected the Tesla battery energy storage system instead of the construction an additional distribution line

Liberty CalPeco only indicates that it solicited bids from seven vendors to construct the project. Further, it indicated that the proposal from Tesla represented the best overall value for the project. Understanding that the Liberty CalPeco service territory was small, soliciting the bids from only seven vendors seems unreasonably light in vendor outreach.

Liberty CalPeco also did not consider the possibility for third party resources to provide energy storage resources. Liberty CalPeco indicates that it is solely responsible for the reliability of the distribution system, and the Alpine County BESS will be essential to distribution reliability. Liberty CalPeco asserts it cannot leave the operation and planning of a resource that is essential to

maintain distribution reliability to a third party. If the project is owned by a third party, Liberty CalPeco believes it may not have complete visibility into potential operational constraints, outages, or other unplanned events. By owning the resource, Liberty CalPeco asserts it will be able to directly control the energy storage system from the utility's telemetry systems, including manually, as required, which is essential to keeping the circuit online.[29]

Allowing fair competition to provide the best value to Liberty CalPeco's ratepayers is a critical element in ensuring that Liberty CalPeco holds reasonable solicitations. The services outlined by Liberty CalPeco could be outlined in a request for offer that allows third parties to offer the services through a contractual agreement.

The Commission will not make a determination in this decision that the procurement process was fair and that the bid evaluation methodology was reasonable.

3.1.7. Did Liberty CalPeco Consider Reasonable Alternatives When Conducting its Analysis and Evaluation?

Liberty CalPeco engaged a consulting firm, Ascension Power Engineering, to perform a second source line routing study to evaluate the feasibility of constructing a second transmission line into Alpine County. The results of Ascension Power Engineering's study indicated a new conductor could cost in the range of $8-$16 million and have significant permitting and right-of-way hurdles.[30] This study indicated that the least costly of the four considered routes of a second distribution line in Alpine County would cost $7.6 Million.[31]

[29] Exhibit LCP-03 at 8.

[30] Exhibit LCP-01 at 6-7.

[31] Exhibit CA-01 at Appendix B, Ascension Power Engineering study, at 9.

Liberty CalPeco also considered diesel backup generators but indicated they determined the air quality issues would prohibit this from being a viable option.

Cal Advocates notes that useful life expected from the battery energy storage system is 15 years at the cost of $8.4 Million.[32] Cal Advocates further notes that the expected useful life of a new conductor would be 46 years, making the cost for the first 15 years of the new conductor to be approximately $2.5 Million.

Liberty CalPeco believes it did consider reasonable alternatives when conducting its analysis and evaluation, however, Liberty CalPeco did not provide convincing evidence that the permitting and right-of-way issues are as prohibitive as it indicated. An additional conductor would provide a reliable solution for its customers in Alpine County at a significantly lower operational cost and for a longer period of time. For this reason, the Commission finds that Liberty CalPeco did not present sufficient evidence to dismiss an additional conductor as a more reasonable alternative.

3.2. Safety

Liberty CalPeco did not address the safety of the construction and operation of its proposed battery energy storage system. If Liberty CalPeco elects to construct the project, it shall submit to Energy Division, for approval through a Tier 3 Advice Letter, a safety plan for complying with all relevant safety regulations and requirements.

[32] Exhibit CA-01 at 5

3.3. How Does this Project and its Estimated Rate Impact Fit in With Other Upcoming Projects that will be Included in Liberty CalPeco's 201p General Rate Case?

Liberty CalPeco currently has an open docket at the CPUC regarding its General Rate Case, Application 18-12-001. Liberty CalPeco may supplement the record of that proceeding with testimony that supports a reasonableness determination for this proposed energy storage project.

If Liberty CalPeco elects to seek a reasonableness determination in Application 18-12-001 for this project, the Commission directs Liberty CalPeco to provide an executed contract or proposed reasonable project cost cap, a comprehensive needs analysis, a cost-effectiveness analysis, a safety plan, and further evidence supporting the reasonableness of its solicitation as exhibits available for Commission and party review.

4. The Proceeding Record and Administrative Issues

The evidentiary record in this proceeding is established through entering exhibits into the record via various motions. Motions to enter exhibits into the record were filed as follows:

1) Liberty CalPeco's motion on August 31, 2018 to enter exhibits into the evidentiary record;
2) Cal Advocates' motion on August 24, 2018 to enter exhibits into the evidentiary record

These motions are granted, and the related exhibits are, accordingly, entered into the evidentiary record.

This proceeding included the following exhibits, identified as:

LCP-01: Testimony of Liberty Utilities (CalPeco Electric) LLC (U 993 E) In Support of its Application to Construct a Battery Energy Storage System in Alpine County, California.

LCP-02: Rebuttal Testimony of Travis Johnson in Support of Liberty Utilities (CalPeco Electric) LLC's (U 933 E) Alpine County Battery Energy Storage System Application.

LCP-03 Supplemental Testimony of Travis Johnson in Support of Liberty Utilities (CalPeco Electric) LLC's (U 933 E) Alpine County Battery Energy Storage System Application. (Public Version)

LCP-03C Supplemental Testimony of Travis Johnson in Support of Liberty Utilities (CalPeco Electric) LLC's (U 933 E) Alpine County Battery Energy Storage System Application.

CA-01: Prepared Testimony on the Application of Liberty Utilities (CalPeco Electric) LLC (U 933 E) for Approval to Construct a Battery Energy Storage System in Alpine County, California, Including Appendices B-D.

CA-02: Rebuttal Supplemental Testimony on the Application of Liberty Utilities (CalPeco Electric) LLC (U 993 E) for Approval to Construct a Battery Energy Storage System in Alpine County, California.

All marked exhibits (LCP-01, LCP-02, LCP-03, LCP-03C, CA-01, and CA-02) are received into evidence as of the date of this decision.

On May 22, 2019, Liberty CalPeco filed an amended motion requesting an evidentiary hearing. On June 3, 2019, Cal Advocates responded to the amended motion of Liberty CalPeco requesting an evidentiary hearing. Cal Advocates argues the amended motion should be denied because "(1) the Commission has provided Liberty CalPeco more than ample opportunity to present its case, and Liberty CalPeco waived its opportunity to introduce new evidence into the record; and (2) Liberty CalPeco has failed to identify material facts in dispute. Further, the Amended Motion reveals that Liberty CalPeco has changed its purpose for evidentiary hearings from requesting the opportunity to "introduce additional evidence" to wishing "to cross-examine Public Advocates Office's witness(es)" on issues outside the scope of the Public Advocate Office's

testimony. Liberty CalPeco failed to argue that it needed to conduct cross-examinations in its original February 12, 2019 motion for evidentiary hearings. Nowhere in the Amended Motion does Liberty CalPeco identify a change in circumstance or new facts that now cause it to alter its stated purpose for hearings."[33]

We agree with Cal Advocates' reply to Liberty CalPeco's amended motion, and the motion for evidentiary hearings is denied.

The Commission affirms all rulings made by the assigned Commissioner and assigned Administrative Law Judge. All motions not previously ruled on are denied as moot.

5. Comments on Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on _____, and reply comments were filed on _____ by _____.

6. Assignment of Proceeding

Martha Guzman Aceves is the assigned Commissioner and Brian Stevens is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. Liberty CalPeco seeks approval from the Commission for the construction and rate recovery of a utility owned 2.6 MW/15 MWh battery energy storage system to be constructed by Tesla, in the Alpine County, California town of Markleeville.

[33] Response of the Public Advocates Office in opposition to Motion of Liberty Utilities (CalPeco Electric) Requesting Evidentiary Hearing at 1.

2. Liberty CalPeco has not executed a contract with Tesla for the proposed project.

3. The total cost to own and operate the proposed project is $8.4 million and would have an expected useful life of 15 years.

4. The proposed battery chemistry technology is lithium ion, and this technology as deployed by Tesla, is capable of operating at the elevation and in the weather conditions described for Markleeville, California.

5. The customers that would receive the benefit of the installation of the proposed project are on the 1269 Circuit of the Liberty CalPeco system, a radial line that originates at the Muller Substation in its service territory.

6. When an outage occurs on the 1269 Circuit of the Liberty CalPeco system, there is no alternative feed to Alpine County, California.

7. Significant outages occurred on the 1269 Circuit on Liberty CalPeco's system.

8. An additional conductor, transmission or distribution, would provide increased reliability to the customers whose electrical load is on the 1269 Circuit of the Liberty CalPeco system.

9. An additional conductor to serve this customer population is estimated to cost $7.6 million dollars and would have an expected useful life of 46 years.

10. Liberty CalPeco did not provide a cost-effectiveness analysis of the proposed project.

11. Liberty CalPeco reached out to 7 vendors to solicit bids for the procurement of this energy storage project and did not consider third party ownership models.

Conclusions of Law

1. Liberty CalPeco should be authorized to construct a battery energy storage system in Alpine County, California; however, the Commission should not provide an affirmative reasonableness determination prior to the execution and review of the proposed contract with Tesla.

2. The proposed technology with Tesla should be considered appropriate for a battery energy storage solution deployed in the location that Liberty CalPeco proposed in this Application.

3. A battery energy storage solution should not be considered the only resource option available to fulfil the need that Liberty CalPeco asserted. Alternatives potentially include an additional conductor.

4. Based on the evidence presented, the Commission should not approve Liberty CalPeco to recover from ratepayers the costs associated with the buildout of the battery energy storage system it proposed in this proceeding.

5. Liberty CalPeco should not be prejudiced from seeing a reasonableness review of this or a similar battery energy storage project.

6. If Liberty CalPeco elects to construct the project, it should submit to Energy Division, for approval through a Tier 3 Advice Letter, a safety plan for complying with all relevant safety regulations and requirements.

7. Liberty CalPeco should be able to elect to seek a reasonableness determination in Application 18-12-001 for this project wherein it provides an executed contract or proposed reasonable project cost cap, a comprehensive needs analysis, a cost-effectiveness analysis, a safety plan, and further evidence supporting the reasonableness of its solicitation as exhibits available for Commission and party review.

8. Exhibits LCP-01, LCP-02, LCP-03, LCP-03C, CA-01, and CA-02 should be identified and received into evidence.

9. Application 17-11-014 should be closed.

O R D E R

IT IS ORDERED that:

1. Liberty CalPeco may construct a battery energy storage system in Alpine County, California; however, the Commission does not provide an affirmative reasonableness determination prior to the execution and review of the proposed contract with Tesla, Incorporated or establishment of a reasonable project cost cap.

2. Liberty CalPeco shall not recover from ratepayers the costs associated with the buildout of the battery energy storage system it proposed in this proceeding unless it makes the showing described in Ordering Paragraph 5 of this decision.

3. If Liberty CalPeco elects to construct the project, it shall submit to Energy Division, for approval through a Tier 3 Advice Letter, a safety plan for complying with all relevant safety regulations and requirements.

4. Liberty CalPeco is not prejudiced from re-applying for reasonableness review of this or a similar battery energy storage project.

5. Liberty CalPeco may elect to seek a reasonableness determination in Application 18-12-001 for this project wherein it provides an executed contract or proposed reasonable project cost cap, a comprehensive needs analysis, a cost-effectiveness analysis, a safety plan, and further evidence supporting the reasonableness of its solicitation as exhibits available for Commission and party review.

6. Exhibits LCP-01, LCP-02, LCP-03, LCP-03C, CA-01, and CA-02 are identified and received into evidence.

7. Application 17-11-014 is closed.

This order is effective today.

Dated _____, at Redding, California.